

CRAWFORD & BAXTER, P.S.C.

ATTORNEYS AT LAW

523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008

James M. Crawford
Ruth H. Baxter

Phone: (502) 732-6688
1-800-442-8680
Fax: (502) 732-6920
Email: CBJ523@AOL.COM

May 15, 2008

RECEIVED

MAY 19 2008

PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RE: **PSC Case No. 2007-00378**

Dear Ms. O'Donnell:

Please find enclosed for filing with the Public Service Commission in the above-referenced case the original and seven copies of Owen Electric Cooperative, Inc.'s, Response to Public Service Commission's Order of May 1, 2008.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford

Counsel for Owen Electric Cooperative, Inc.

JMC/mns

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

IN THE MATTER OF:

MAY 19 2008

PUBLIC SERVICE
COMMISSION

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF EAST KENTUCKY)
POWER COOPERATIVE, INC., FOR THE)
SIX-MONTH BILLING PERIODS ENDING) CASE NO. 2007-00378
JUNE 30, 2006, AND DECEMBER 31, 2006, FOR)
THE TWO-YEAR BILLING PERIOD ENDING)
JUNE 30, 2007, AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVE)

OWEN ELECTRIC COOPERATIVE, INC.'S RESPONSE
TO PUBLIC SERVICE COMMISSION'S ORDER OF MAY 1, 2008

Comes now Owen Electric Cooperative, Inc., by and through Robert A. Hood, its President/CEO, ("OEC") and for its Response to the Public Service's Order of May 1, 2008, states as follows:

Request No. 1: Has your cooperative experienced any problems in administering its environmental surcharge pass through mechanism over the 2-year period under review in this case? If yes, explain in detail the nature of the problems and any suggested changes to cure the problems.

Response: Yes, OEC has experienced a significant under-recovery of the environmental surcharge from large commercial and industrial customers, due to the pass-through allocation methodology used to bill for the surcharge at retail. East Kentucky Power Cooperative, Inc., ("EKPC") is currently evaluating this situation, in an effort to determine if changes can be made in the pass-through mechanism which would resolve this under-recovery, but OEC does not have a specific change to recommend, at this time.

Request No. 2: Has your cooperative received any customer complaints regarding the environmental surcharge pass through mechanism during the 2-year period under review in this case? If yes, state the number of complaints received, the nature of each complaint, and the service classification of each customer making a complaint.

Response: No, OEC has not received any customer complaints regarding the environmental surcharge pass through mechanism during the 2-year period under review. However, OEC's Board of Directors has raised concerns regarding the environmental surcharge pass through mechanism during the 2-year period under review.

Request No. 3: Does your cooperative believe that its environmental surcharge pass through mechanism has operated reasonably over the 2-year period under review in this case? If no, explain in detail.

Response: No, OEC does not believe its environmental surcharge pass through has operated reasonably over the 2-year period as referenced in the response to Request No. 1.

Request No. 4: Does your cooperative have any recommended changes for its existing environmental surcharge pass through mechanism? If yes, explain in detail the nature of each change and the reasons why the change is needed.

Response: As referenced in the response to Request No. 1, EKPC has been made aware of the fact that some EKPC member systems are experiencing an under-recovery of the environmental surcharge from certain customer classes, or large customers, due to the pass-through mechanism. Since the impact of this situation varies among different member systems, EKPC is currently evaluating this issue, in an attempt to identify possible changes in the allocation methodology which would be equitable for all member systems and retail customers. It is hoped that

some acceptable changes to the pass-through methodology can be developed within the next 60 days. EKPC plans to present any proposed changes to the pass-through methodology to the Commission for review at the earliest appropriate time.

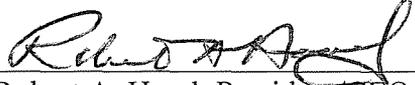
WITNESSES RESPONSIBLE FOR ANSWERING THESE QUESTIONS: The witness responsible for providing the information to these Responses was Robert A. Hood, President/CEO, Owen Electric Cooperative, Inc., 8205 Highway 127 N, Owenton, Kentucky 40359.

VERIFICATION

I, Robert A. Hood on behalf of Owen Electric Cooperative, Inc., have reviewed the foregoing RESPONSES, and same are true and correct to the best of my knowledge and belief. I am authorized to sign this Verification on behalf of Owen Electric Cooperative, Inc.

This the 15th day of May, 2008.

OWEN ELECTRIC COOPERATIVE, INC.

BY: 
Robert A. Hood, President/CEO

STATE OF KENTUCKY)

COUNTY OF CARROLL)

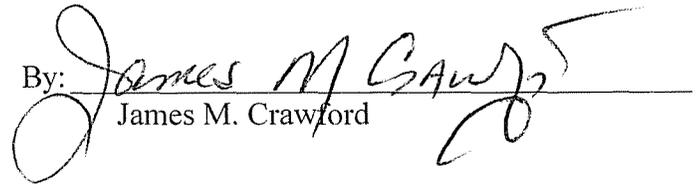
Subscribed and sworn to before me by Robert A. Hood, President/CEO of Owen Electric Cooperative, Inc., on this the 15th day of May, 2008.

My commission expires: 3-16-2012


NOTARY PUBLIC, KY STATE AT LARGE

CRAWFORD & BAXTER, P.S.C.
ATTORNEYS AT LAW
523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008
Phone: (502) 732-6688
Facsimile: (502) 732-6920
E-mail Address: CBJ523@aol.com

Attorneys for Owen Electric Cooperative, Inc.

By: 
James M. Crawford

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing Responses was mailed postage prepaid, on this the 16 day of May, 2008, to:

Big Sandy Rural Electric Cooperative Corporation
504 Eleventh Street
Paintsville, Kentucky 41240-1422

Blue Grass Energy Cooperative Corporation
P.O. Box 990
Nicholasville, Kentucky 40340-0990

Clark Energy Cooperative, Inc.
P.O. Box 748
Winchester, Kentucky 40392-0748

Cumberland Valley Electric, Inc.
Highway 25E, P.O. Box 440
Gray, Kentucky 40734

East Kentucky Power Cooperative
P.O. Box 707
Winchester, Kentucky 40392-0707

Farmers Rural Electric Cooperative Corporation
P.O. Box 1298
Glasgow, Kentucky 42142-1298

Fleming-Mason Energy Cooperative
P.O. Drawer 328
Flemingsburg, Kentucky 41041

Grayson Rural Electric Cooperative Corporation
109 Bagby Park
Grayson, Kentucky 41143

Inter-County Energy Cooperative Corporation
P.O. Box 87
Danville, Kentucky 40423-0087

Jackson Energy Cooperative
115 Jackson Energy Lane
McKee, Kentucky 40447

Licking Valley Rural Electric Cooperative Corporation
P.O. Box 605
West Liberty, Kentucky 41472

Nolin Rural Electric Cooperative Corporation
411 Ring Road
Elizabethtown, Kentucky 42701-6767

Salt River Electric Cooperative Corporation
P.O. Box 609
Bardstown, Kentucky 40004-0609

Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, Kentucky 40065-1714

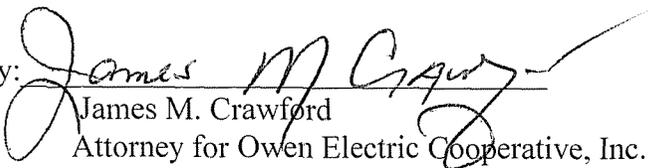
South Kentucky Rural Electric Corporation
P.O. Box 910
Somerset, Kentucky 42502

Taylor County Rural Electric Cooperative Corporation
P.O. Box 100
Campbellsville, Kentucky 42719

Boehm, Kurtz & Lowry
ATTN: Hon. Michael Kurtz
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202-4434

and the original (with copies) to:

Commonwealth of Kentucky
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

By: 
James M. Crawford
Attorney for Owen Electric Cooperative, Inc.